

***WEXFORD TOWNSHIP***

***WEXFORD COUNTY***

***MESICK, MICHIGAN***

***MARCH 31, 2008***

**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN**

**MARCH 31, 2008**

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November 21, 2008

## **INDEPENDENT AUDITORS' REPORT**

To the Township Board  
Wexford Township  
Wexford County  
Mesick, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wexford Township, Wexford County, Mesick, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wexford Township, Wexford County, Mesick, Michigan as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages ii through vii and budgetary comparison information on page 17 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wexford Township, Wexford County, Mesick, Michigan's basic financial statements. The individual fund financial statement is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Jon Damhof CPA LLC*

Jon Damhof CPA, LLC

**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2008**

Wexford Township, a general law township located in Wexford County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Wexford Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2008.

**Financial Highlights**

- The assets of the Township exceeded its liabilities at the close of the fiscal year by \$402,832. Of this amount, \$264,971 may be used to meet the township's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$264,971 an increase of \$30,398 in comparison with the prior year. About 97% is available for spending at the Township's discretion.
- At March 31, 2008, the Township was not obligated for any long-term debt.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** This report includes government-wide statements as required by GASB Statement 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2008**

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Proprietary Funds** – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$402,832 at March 31, 2008, meaning the Township’s assets were greater than its liabilities by this amount.

**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2008**

**Wexford Township  
Net Assets as of March 31, 2008**

	<b>Governmental Activities</b>
<b>Assets</b>	
Current Assets	\$ 264,971
Non Current Assets	
Capital Assets	154,986
Less: Accumulated Depreciation Total Non Current Assets	(17,125)
	<u>137,861</u>
<b>Total Assets</b>	<u><u>\$ 402,832</u></u>
<b>Liabilities</b>	
Current Liabilities	<u>\$ 0</u>
<b>Net Assets</b>	
Invested in Capital Assets	137,861
Restricted for Specific Purposes	8,704
Unrestricted	<u>256,267</u>
<b>Total Net Assets</b>	<u>402,832</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 402,832</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$256,267 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole. The total net assets of the Township increased by \$26,769 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2008**

**Wexford Township  
Change in Net Assets  
For the Fiscal year Ended March 31, 2008**

	<b><u>Governmental Activities</u></b>
<b><u>Revenues</u></b>	
<b>Program Revenues</b>	
Charges for Services	\$ 6,872
Operating Grants and Contributions	2,842
<b>General Revenues</b>	
Property Taxes	40,653
State Grants	54,564
Interest Earnings	10,119
Other	1,835
	<hr/>
Total Revenues	116,885
	<hr/>
<b><u>Expenses</u></b>	
Legislative	1,560
General Government	49,049
Public Safety	14,797
Public Works	14,521
Other Functions	6,560
Unallocated Depreciation	3,629
	<hr/>
<b>Total Expenses</b>	90,116
	<hr/>
Change in Net Assets	26,769
	<hr/>
Net Assets - Beginning of Year	376,063
	<hr/>
Net Assets - End of Year	\$ 402,832
	<hr/> <hr/>

**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2008**

**Governmental Activities**

During the fiscal year ended March 31, 2008, the Township's net assets increased by \$26,769 in the governmental activities. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Wexford Township comes from property taxes and special assessments. The Township levied 0.856 mills for operating purposes.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation. In 2008, the amount of state shared revenue received by the Township trended upward, representing increasing sales tax collections and discretionary increases by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by general governmental expenses. The Township spent \$49,049 in fiscal year 2008 on General Governmental expenses. Public Safety represented the next largest expense at \$14,797 followed by Public Works at \$14,521. Expenses largely are represented by salaries and contracted services.

**Business-Type Activities**

The Township does not maintain any Business-Type Activities.

**Financial Analysis of the Government's Funds**

***Governmental Funds*** The focus of Wexford Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Wexford Township's governmental funds reported combined ending fund balances of \$264,971. Approximately \$256,267 of this total amount constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for telecommunications right of way maintenance must be used for expenditures that relate to right of way maintenance.

**General Fund** – The General Fund increased its fund balance by \$30,398 which brings the fund balance to \$264,971. The General Fund's fund balance is unreserved except for \$8,704 reserved for telecommunications right of way maintenance. Property taxes and state shared revenues represent approximately 84% of the revenue for this fund.

***Proprietary Fund*** The Township does not maintain any proprietary funds.



**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2008**

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental activities as of March 31, 2008 amounted to \$137,861 net of accumulated depreciation. There were no capital assets additions or disposals during the year.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Wexford Township  
Capital Assets as of March 31, 2008**

	<u>Governmental Activities</u>
Land	\$ 6,000
Land Improvements	3,995
Buildings	138,372
Equipment	<u>6,619</u>
	154,986
Less: Accumulated Depreciation	<u>(17,125)</u>
Net Capital Assets	<u><u>\$ 137,861</u></u>

**Long-Term Debt.** At March 31, 2008, the Township was not obligated for any long-term debt.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2008-09 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Wexford Township at 7579 W. 4 Road, Mesick Michigan 49668.

**WEXFORD TOWNSHIP, WEXFORD COUNTY**  
**MESICK, MICHIGAN**

**STATEMENT OF NET ASSETS**  
**MARCH 31, 2008**

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>CURRENT ASSETS</u>	
Cash	\$ 252,152
Taxes Receivable	4,245
Due from Other Governments	<u>8,574</u>
Total Current Assets	<u>264,971</u>
<u>NONCURRENT ASSETS</u>	
<u>CAPITAL ASSETS</u>	
Land	6,000
Land Improvements	3,995
Buildings	138,372
Equipment	<u>6,619</u>
	154,986
Less Accumulated Depreciation	<u>(17,125)</u>
Net Capital Assets	<u>137,861</u>
 TOTAL ASSETS	 <u><u>\$ 402,832</u></u>
 <u>LIABILITIES</u>	 <u>0</u>
 <u>EQUITY</u>	
Net Assets:	
Invested in Capital Assets, Net of Related Debt	137,861
Restricted for Telecommunications Right of Way Maintenance	8,704
Unrestricted	<u>256,267</u>
 TOTAL NET ASSETS	 <u><u>\$ 402,832</u></u>

The accompanying notes are an integral part of the financial statements.

**WEXFORD TOWNSHIP, WEXFORD COUNTY**  
**MESICK, MICHIGAN**

**STATEMENT OF ACTIVITIES**  
**YEAR ENDED MARCH 31, 2008**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
					TOTAL GOVERNMENTAL ACTIVITIES
<b>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</b>					
Legislative	\$ 1,560	\$ 0	\$ 0	\$ 0	\$ (1,560)
General Government	49,049	6,872	2,842	0	(39,335)
Public Safety	14,797	0	0	0	(14,797)
Public Works	14,521	0	0	0	(14,521)
Other Functions	6,560	0	0	0	(6,560)
Unallocated Depreciation	3,629	0	0	0	(3,629)
Total Governmental Activities	\$ 90,116	\$ 6,872	\$ 2,842	\$ 0	(80,402)
<b>GENERAL REVENUES</b>					
Property Taxes					40,653
State Shared Revenue - Unrestricted					54,564
Investment Earnings - Unrestricted					10,119
Other					1,835
Total General Revenues					107,171
Change in Net Assets					26,769
<u>NET ASSETS</u> - Beginning of Year					376,063
<u>NET ASSETS</u> - End of Year					\$ 402,832

The accompanying notes are an integral part of the financial statements.

**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET  
MARCH 31, 2008**

	<u>GENERAL FUND</u>
 <u>ASSETS</u>	
Cash	
Checking	\$ 47,456
Certificates of Deposit	204,696
Taxes Receivable	4,245
Due From Other Governments	8,574
TOTAL ASSETS	<u>\$ 264,971</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	<u>\$ 0</u>
 <u>FUND BALANCE</u>	
Reserved for:	
Telecommunications Right of Way	8,704
Unreserved:	
Undesignated	<u>256,267</u>
Total Fund Balance	<u>264,971</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 264,971</u>

The accompanying notes are an integral part of the financial statements.

**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN**

**GOVERNMENTAL FUNDS**

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2008**

Total Fund Balances for Governmental Funds		\$	264,971
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Land	\$	6,000	
Land Improvements		3,995	
Buildings		138,372	
Equipment		6,619	
Accumulated Depreciation		(17,125)	137,861
			<hr/>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$	<u><u>402,832</u></u>

The accompanying notes are an integral part of the financial statements.

**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**YEAR ENDED MARCH 31, 2008**

	<u>TOTALS</u>
<u>REVENUES</u>	
Taxes	\$ 40,653
State Grants	57,406
Charges for Services	6,872
Interest and Rents	10,479
Other Revenue	<u>1,475</u>
Total Revenues	<u>116,885</u>
<u>EXPENDITURES</u>	
Legislative	1,560
General Government	49,049
Public Safety	14,797
Public Works	14,521
Other Functions	<u>6,560</u>
Total Expenditures	<u>86,487</u>
Net Change in Fund Balance	30,398
<u>FUND BALANCE</u> - Beginning of Year	<u>234,573</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 264,971</u></u>

The accompanying notes are an integral part of the financial statements.

**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN**

**GOVERNMENTAL FUNDS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2008**

Net change in Fund Balance - Total Governmental Funds	\$	30,398
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, the costs of those assets are allocated over their estimated useful lives and reported as depreciation in the statement of activities.

Depreciation Expense		<u>(3,629)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>26,769</u></u>
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The accompanying notes are an integral part of the financial statements.

**WEXFORD TOWNSHIP, WEXFORD COUNTY  
BUCKLEY, MICHIGAN**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
MARCH 31, 2008**

	<u>AGENCY FUND</u>
<u>ASSETS</u>	
Cash	<u>\$     4,545</u>
 <u>LIABILITIES</u>	
Due to Other Governments	<u>\$     4,545</u>

The accompanying notes are an integral part of the financial statements.



**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Wexford Township is a general law township located in Wexford County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Wexford Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally Wexford Township reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from date of acquisition. The Township investment policy authorizes the Township treasurer to invest Township funds in deposit accounts, savings accounts and certificates of deposit.

***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008**

The 2007 taxable valuation of Wexford Township totaled \$29,566,097 on which ad valorem taxes levied consisted of 0.856 mills for Wexford Township operating purposes. The levy raised \$25,319 for operating purposes.

**3. Inventories and Prepaid Items**

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land improvements	20
Infrastructure	20
Equipment and Furniture	5-10

Wexford Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning July 1, 2003, in accordance with the Township's capitalization policy.

**5. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Township currently has no long-term obligations

**6. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on April 4, 2007 or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008**

**B. Funds with Expenditures in Excess of Appropriations**

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>
General		
Elections	1,000	1,190
Treasurer	11,600	13,710
Cemetery	3,750	3,793

This overage was funded with greater than anticipated revenues and available fund balance.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are all on deposit with Honor State Bank in Buckley, Michigan.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in Section 9 of the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with Section 7 of the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31 2008, 104,696 of the government's bank balance of \$257,128 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008**

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

**B. Receivables**

Receivables at year end are as follows:

	<u>General Fund</u>
Taxes	\$ 4,245
Due from Other Governments	8,574

This receivables consists of property taxes from the 2007 tax roll and Revenue Sharing from the State of Michigan. The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**C. Long-Term Debt**

At March 31 2008 the Township was not obligated for any long-term debt.

**D. Short-Term Debt**

The Township incurred no short-term debt activity for the year.

**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008**

**E. Capital Assets**

**Primary Government**

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 6,000	\$ 0	\$ 0	\$ 6,000
Capital assets, being depreciated				
Buildings	138,372	0	0	138,372
Land Improvements	3,995	0	0	3,995
Equipment	6,619	0	0	6,619
Total capital assets, being depreciated	148,986	0	0	148,986
Less accumulated depreciation for:				
Buildings	11,762	2,767	0	14,529
Land Improvements	965	200	0	1,165
Equipment	769	662	0	1,431
Total accumulated depreciation	13,496	3,629	0	17,125
Total capital assets, being depreciated	135,490	(3,629)	0	131,861
Governmental activities capital assets	\$ 141,490	\$ (3,629)	\$ 0	\$ 137,861

Depreciation expense of the primary government was \$3,629 for the year.

**F. Interfund Receivables, Payables and Transfers**

There were no individual fund interfund receivable and payable balances at March 31 2008.

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services provided or expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.



**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008**

There were no Interfund transfers as of March 31 2008.

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs or projects accounted for in other funds in accordance with budgetary authorizations.

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and worker's compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Fund Balance Reserves**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balance in the amount of \$8,704 for Telecommunications Right of Way Maintenance.

**WEXFORD TOWNSHIP, WEXFORD COUNTY  
BUCKLEY, MICHIGAN**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS**

**YEAR ENDED MARCH 31, 2008**

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b><u>REVENUES</u></b>				
Taxes	\$ 32,910	\$ 32,910	\$ 40,653	\$ 7,743
State Grants	50,000	50,000	57,406	7,406
Charges for Services	3,100	3,100	6,872	3,772
Interest and Rents	2,860	2,860	10,479	7,619
Other Revenue	360	360	1,475	1,115
Total Revenues	89,230	89,230	116,885	27,655
<b><u>EXPENDITURES</u></b>				
Legislative				
Township Board	1,600	1,600	1,560	40
General Government				
Supervisor	3,800	3,800	3,523	277
Elections	1,000	1,000	1,190	(190)
Assessor	14,300	14,300	13,772	528
Attorney	1,000	1,000	0	1,000
Clerk	6,300	6,300	5,841	459
Board of Review	800	800	715	85
Treasurer	11,600	11,600	13,710	(2,110)
Building and Grounds	8,100	8,100	6,505	1,595
Cemetery	3,750	3,750	3,793	(43)
Public Safety				
Fire Protection	15,000	15,000	14,797	203
Public Works				
Highways, Streets and Bridges	17,480	17,480	14,521	2,959
Other Functions				
Other	500	500	0	500
Social Security and Medicare	4,500	4,500	2,271	2,229
Insurance and Bonds	4,000	4,000	4,289	(289)
Total Expenditures	93,730	93,730	86,487	7,243
Net Change in Fund Balance	(4,500)	(4,500)	30,398	34,898
<b><u>FUND BALANCE</u></b> - Beginning of Year	234,573	234,573	234,573	0
<b><u>FUND BALANCE</u></b> - End of Year	\$ 234,573	\$ 234,573	\$ 264,971	\$ 0

**WEXFORD TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN**

**CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED MARCH 31, 2008**

	BALANCE				BALANCE
	4/1/2007	ADDITIONS	DEDUCTIONS		3/31/2008
<hr/>					
<u>ASSETS</u>					
Cash	\$ 152,448	\$ 836,791	\$ 984,694	\$	4,545
	<hr/>				
	<hr/>				
<u>LIABILITIES</u>					
Due to Other Funds and Governments	\$ 152,448	\$ 836,791	\$ 984,694	\$	4,545
	<hr/>				
	<hr/>				





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November 21, 2008

To the Township Board  
Wexford Township  
Wexford County  
Mesick, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wexford Township, Wexford County, Mesick, Michigan as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Wexford Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

## 2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described above are material weaknesses.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

A handwritten signature in cursive script that reads "Jon Damhof CPA LLC".

Jon Damhof CPA, LLC



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November 21, 2008

## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Township Board Wexford Township Wexford County Mesick, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wexford Township for the year ended March 31, 2008, and has issued our report thereon dated November 21, 2008. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 16, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Wexford Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Wexford Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Wexford Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted. We did propose several adjusting journal entries that were accepted and recorded by management.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 21, 2008.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of Wexford Township for the year ended March 31, 2008, we noted the following list of items which we feel deserve comment:

### Budgeting – General Comment

The Public Act 621 states that the budget document that the Township adopts include the following financial information:

- The actual results from the prior year
- An estimate of the current year results
- The proposed budget for the upcoming year; and amounts and contingencies, if appropriate
- The amount of fund balance accumulated through the end of the current year, and the amount expected at the end of the upcoming year, after applying the budgeted receipts and disbursements.

The Township Board is also responsible for amending the budget during the year to allow for expenditures in excess of original appropriations, or to reduce appropriations if it appears the actual expenditures will be much less than originally appropriated.

The adoption of the budgets for each fund should be clearly noted in the board minutes, as well as any amendments to the budget throughout the year.

The budget document presented for our audit included footing errors in total revenues and expenditures. We recommend the budget document be footed for accuracy prior to the formal approval by the Township Board.



### Property Tax Administration Fee

The Township is charging a 1% property tax administration fee. The Township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee and the State recommends formal board action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs and that the board pass a motion to write off the loss annually.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

A handwritten signature in cursive script that reads "Jon Damhof CPA LLC".

Jon Damhof CPA, LLC